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March 6, 2003

Donald Abelson  
Chief  
International Bureau  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW,  
Washington, DC 20554

**Re: AT&T Emergency Petition for Settlements Stop Payment Order,  
IB Docket No. 03-38.**

Dear Mr. Abelson:

The letter dated March 5, 2003 from the Philippine Long Distance Telephone Company ("PLDT") fails to rebut the clear evidence of concerted conduct among Philippine carriers to enforce a 50 percent rate increase.

The fact that PLDT requested a rate increase in May 2002 fails to show that PLDT, Globe, Bayantel and Digitel acted independently in requesting the same rate increase to 12 cents in confidential communications with AT&T in November 2002. It is irrelevant that PLDT asked for increased rates in May 2002, because PLDT made no request for 12 cents at that time. This is implicitly acknowledged both by PLDT's March 5 letter and by the Obias Declaration, neither of which contends that PLDT made any such request at that time. Indeed, PLDT's letter dated May 15, 2002 (Exhibit 1 to the Obias Declaration) offered AT&T rates below 8 cents for "on-net fix[ed]" traffic and merely stated that rates would be "adjusted upwards" from July 2002. PLDT first requested 12 cents in a confidential communication with AT&T in November 2002. Very shortly afterwards, Globe, Bayantel and Digitel also requested 12 cents in separate confidential communications with AT&T.

PLDT attempts to explain these identical requests -- made in separate, bilateral and *confidential* negotiations with AT&T -- as merely the result of Philippine carriers' "aware[ness] of the 'going rate' at any given time." However, that provides no explanation for these requests because 12 cents was *not* the "going rate" for U.S. traffic in November 2002, and was merely a *confidentially proposed* rate on this route. PLDT

fails to explain why the Philippine carriers all privately requested the exact same increase at the same time from AT&T if they were not seeking to raise rates in concert.

PLDT's denial that Philippine carriers have taken the same retaliatory measures against AT&T for refusing to accept their demands is even more absurd. The Answer Seizure Ratio (ASR) data submitted by AT&T as Attachment C to its reply comments, and showing blocking activities by no fewer than *six* Philippine carriers commencing on or about February 1, 2003, speaks for itself.

PLDT also confirms that the interconnection agreements among Philippine carriers revealed by Globe's January 30, 2003 SEC filing facilitate collusion among those carriers on the international termination rates charged to U.S. carriers. PLDT states on page 1 of its letter that "when Philippine carrier A requests that Philippine carrier B pay an interconnection rate of X cents when B sends A international traffic, B can surmise that X is at or near the rate that A charges non-Philippine carriers for terminating international calls directly with it." Exactly so. As AT&T explained in its letter dated March 3, 2003, these domestic interconnection rates for terminating incoming international traffic sent from one Philippine carrier's international gateway to another Philippine carrier's local network comprise virtually the entire international termination rate paid by a non-Philippine carrier. Under normal industry practice, domestic interconnection rates for terminating incoming international traffic on local networks would be at or near the much lower 4.6 cent rate that Philippine carriers pay under these agreements to terminate domestic "metered" traffic on local networks. Indeed, a major reason why facilities-based competition in foreign markets has reduced U.S. international termination rates has been that U.S. carriers can then send traffic to competitive carriers in those markets that pay a much lower domestic interconnection rate to terminate that traffic on the incumbent carrier's local network. By keeping domestic interconnection rates for terminating incoming international traffic at artificially high levels, Philippine carriers prevent that result and therefore keep international termination rates artificially high.

The only justification for these interconnection arrangements asserted in this proceeding is that they are pursuant to a regulatory requirement for non-discrimination. Yet, PLDT states that these agreements concern the charges Philippine carriers "will impose on *each other*," thus acknowledging that these are mutual arrangements. (PLDT Consolidated Opposition, p. 6, n.13 (emphasis added).) There also is no regulatory requirement that domestic interconnection rates for terminating incoming international traffic be maintained at these high levels.


Through these agreements for high "offnet" interconnection rates for incoming international traffic, as PLDT acknowledges in the statement quoted above, Philippine carriers are able to "surmise that [the offnet rate] is at or near" the international termination rate charged non-Philippine carriers, and are thus able to communicate those rate levels to each other. Also, the high level of the offnet interconnection charge ("at or near" the entire amount of the international termination rate) effectively prevents the Philippine carriers from undercutting each other's

international termination rates, by making it uneconomic to engage in by-pass through offnet arrangements. Therefore, it is irrelevant that these agreements do not formally “prevent” the Philippines carriers from charging less than 12 cents. Once the offnet price is set at 12 cents, no Philippine carrier has any incentive to reduce international termination rates below that level, as evidenced by the fact that all Philippine carriers continue to insist that AT&T must pay that rate.

PLDT seeks to contest even this latter fact by suggesting that Philippine carriers are making lower rates available through Arbinet. If that is so, then they are also engaging in discrimination by refusing to make these rates available directly.

In any event, PLDT is the dominant carrier in the Philippines and is thus subject to the Commission’s prohibition on whipsaws and non-cost-based rate increases. PLDT’s continuing market power in the Philippines is established by its 68 percent share of local access lines in the Philippines, irrespective of its share of international traffic.<sup>1</sup> Indeed, PLDT itself claims to have “dominant market shares” in both fixed and wireless services in the Philippines. (See attached “PLDT Management Presentation, Philippine Equity Roadshow,” Sept. 16, 2002, at 5.)

Respectfully submitted,

  
James J.R. Talbot

cc: James Ball, FCC  
Lisa Choi, FCC  
Patricia Cooper, FCC  
Anta Dey, FCC  
Claudia Fox, FCC  
Jennifer Manner, FCC  
Kathy O’Brien, FCC  
Barry Ohlson, FCC  
Jackie Ruff, FCC  
Bryan Tramont, FCC  
Samuel Feder, FCC  
Paul Margie, FCC  
Scott Shefferman, WorldCom  
Thomas Leuba, Sullivan & Cromwell  
Henry Goldberg, Goldberg, Godles, Wiener & Wright  
Patricia Paoletta, Wiley Rein & Fielding

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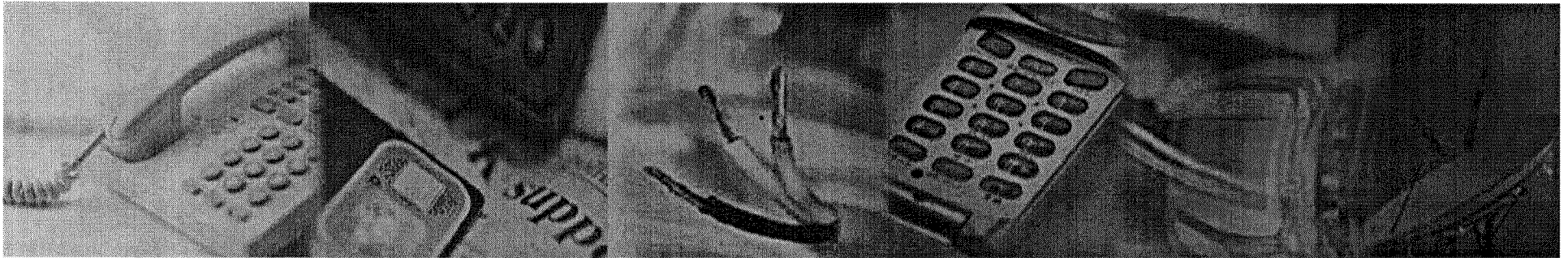
<sup>1</sup> See *Rules and Policies for Foreign Participation in the U.S. Telecommunications Market*, 12 FCC Rcd. 23891, ¶ 163, n.318 (1997).

William Pamintuan, Digitel  
Gary Olivar, Bayantel.  
Gregory Staple, Vinson & Elkins





PHILIPPINE LONG DISTANCE TELEPHONE COMPANY



# **Management Presentation**

## **Philippine Equity Roadshow**

**September 16, 2002**

# Presentation Outline

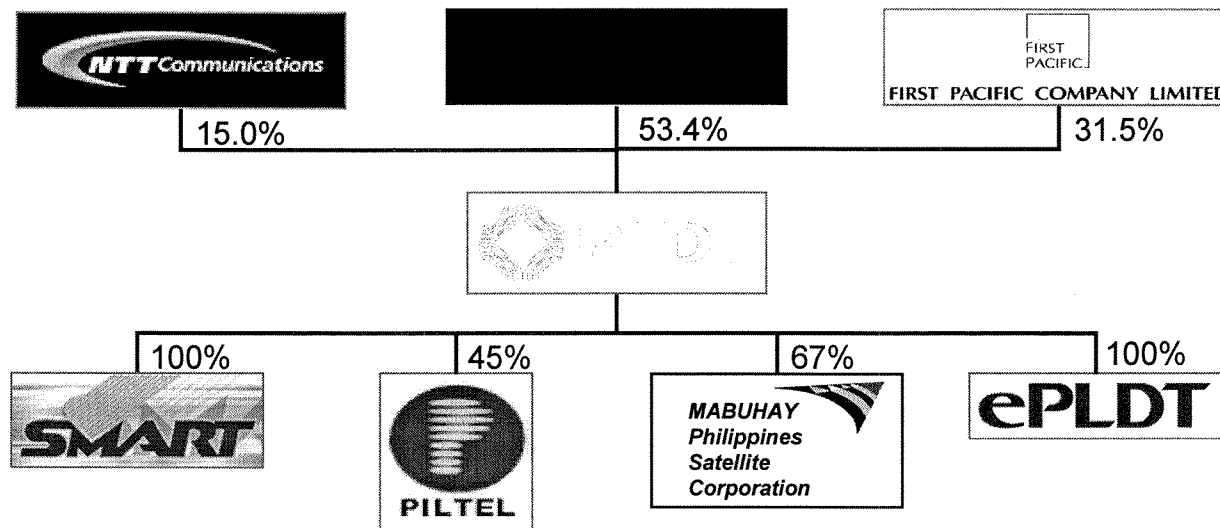
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1. Overview
  2. Fixed line
  3. Cellular
  4. Information and Communications Technology
- Appendix: First Half 2002 Financial Results**

Except for historical financial and operating data and other information in respect of historical matters, the statements contained herein are “forward-looking statements” within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. The words “believe”, “intend” “plan”, “anticipate”, “continue”, “estimate”, “expect”, “may”, “will” or other similar words are frequently used to indicate these forward looking statements. Any such forward-looking statement is not a guarantee of future performance and involves a number of known and unknown risks, uncertainties and other factors that could cause the actual performance, financial condition or results of operation of PLDT to be materially different from any future performance, financial condition or results of operation implied by such forward-looking statement. Among the factors that could cause actual results to differ from the implied or expected results are those factors discussed under “Risk Factors” in Item 3 in PLDT’s annual report on Form 20-F, dated June 25, 2002, for the year ended December 31, 2001, as well as the outcome of the ongoing contest for control of PLDT.

# Corporate Overview

- Founded in 1928
- The dominant integrated telecom service provider in the Philippines
- Market leader in fixed line and cellular businesses with over 9 million combined subscribers
- Operates the most extensive cellular, fiber optic backbone and fixed line, cable and satellite networks
- Publicly listed on the Philippine Stock Exchange and with ADRs listed on the NYSE (PHI) and Pacific Exchange
  - Subject to both Philippine and U. S. SEC regulations, including the new Sarbanes-Oxley Act



# Key Investment Considerations

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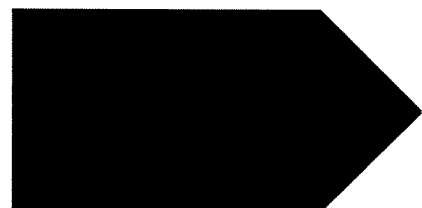
- Incumbent operator, providing telecom services since 1928
- Only nationwide operator in the Philippines



- # 1 in fixed line with over 2.2 million subscribers and 68% market share
- # 1 in wireless with approximately 7.2 million subscribers and 57% market share



- Major player in all sectors of the telecommunications industry
- Significant expansion of wireless, local exchange and data services reduce dependence on NLD and ILD revenues



- Significant investments already completed
- 5,400 km nationwide digital fibre optic and microwave backbone
- Synergies with the fixed line nationwide infrastructure enabled rapid and cost-efficient deployment of the GSM network



- Stable cash flows, backed by strong EBITDA margin and rationalized capital expenditure plans
- Further improvement of margins at PLDT-Parent level due to cost containment initiatives
- Increasing profitability at Smart due to continued subscriber growth, stabilizing ARPUs and reduced subscriber acquisition costs



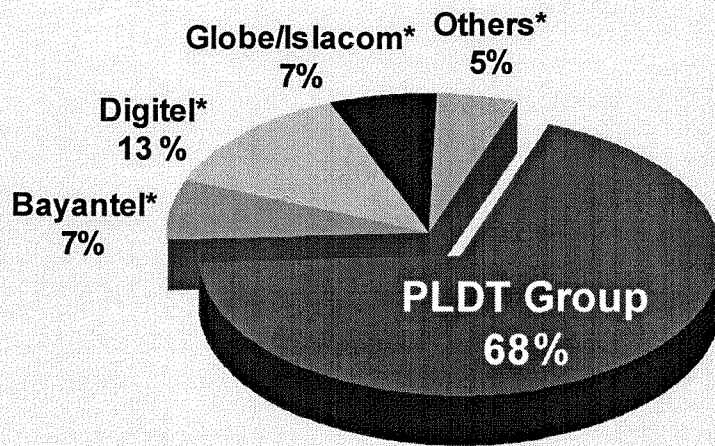
- Completion of liability management exercise removes near-term refinancing risks
- Cash flows generated from operations to be used to reduce overall indebtedness

# Dominant Market Shares

- #1 in fixed line with over 2.2 million subscribers and 68% market share
- #1 in wireless with approximately 7.2 million subscribers and 57% market share

## Fixed

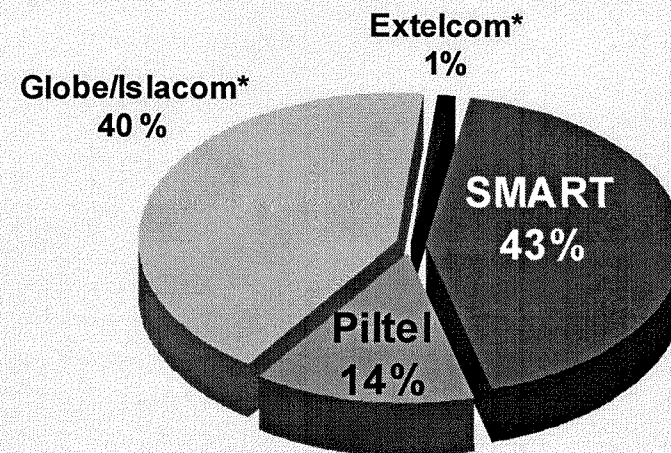
As of 30 June 2002



Size of market\* = 3.2 million subscribers  
 PLDT Group = 2.2 million subscribers  
 Penetration Rate\* = 4%

## Wireless

As of 30 June 2002

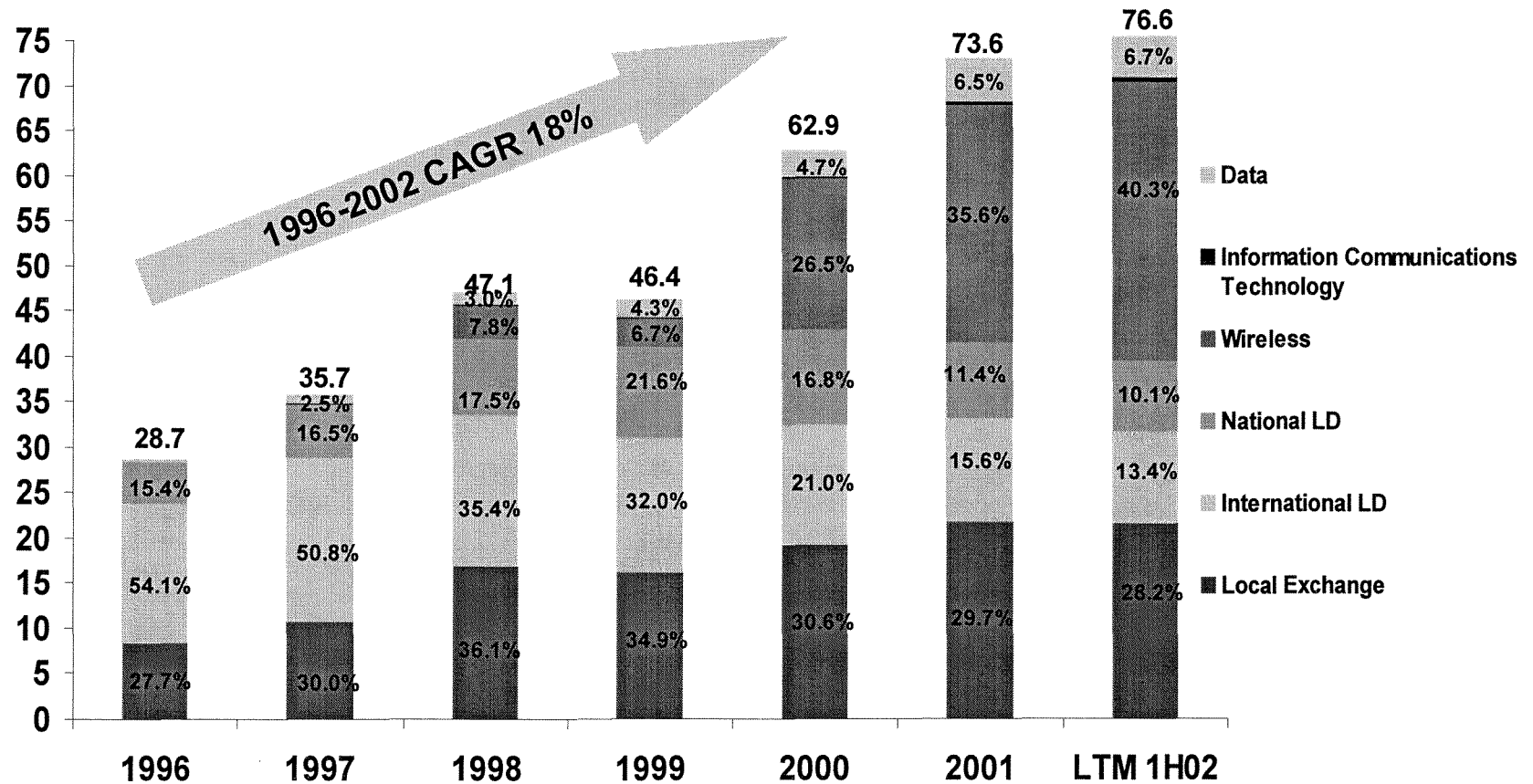


Size of market\* = 12.7 million subscribers  
 PLDT Group = 7.2 million subscribers  
 Penetration Rate\* = 15%

\* Company estimates

# Broadening and Growing Revenue Base

PHP billions



% Growth

24%

32%

(1%)

36%

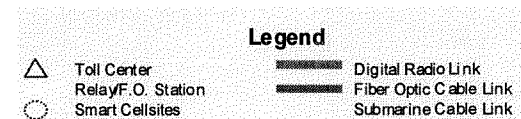
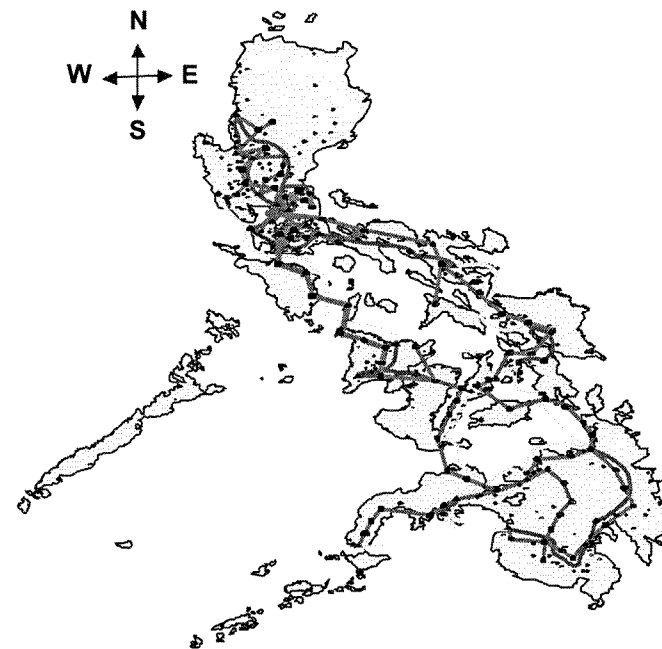
17%

4%

# Extensive Integrated Network

- PLDT's fixed line network and infrastructure is the most advanced and extensive in the Philippines
- Operational synergies have led to rapid and cost effective GSM network expansion of Smart through sharing of transmission facilities and co-location of switches and base stations

## Nationwide Fiber Optic Network





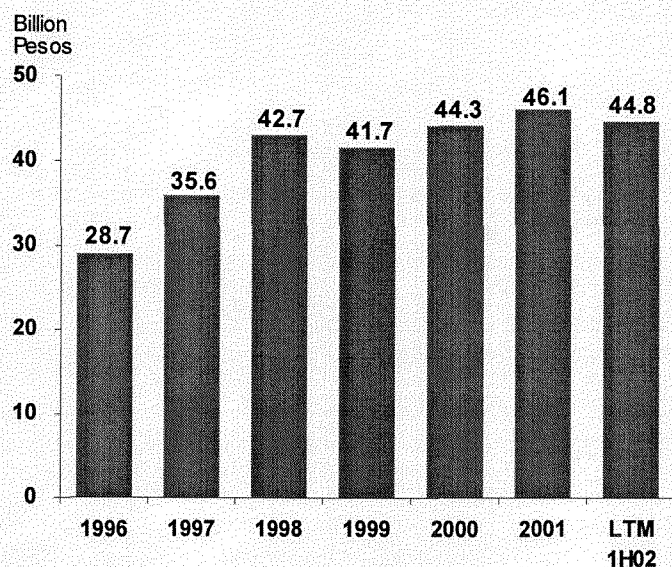
## 2. Fixed Line



# Strong Historical Financial Performance

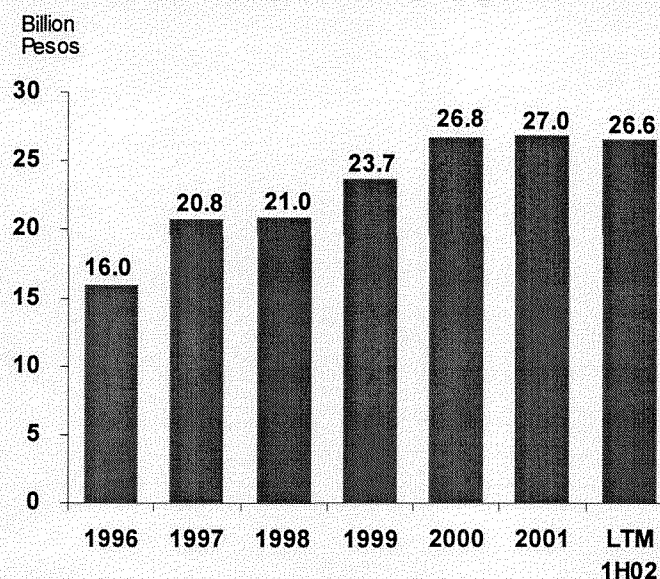
- Sustained growth during period of substantial regulatory and competitive change
- PLDT-Parent EBITDA margins have predominantly remained above 55% in spite of challenging market conditions

**Parent Revenues**



% Growth	13%	24%	20%	(2%)	6%	4%	(3%)
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**Parent EBITDA**

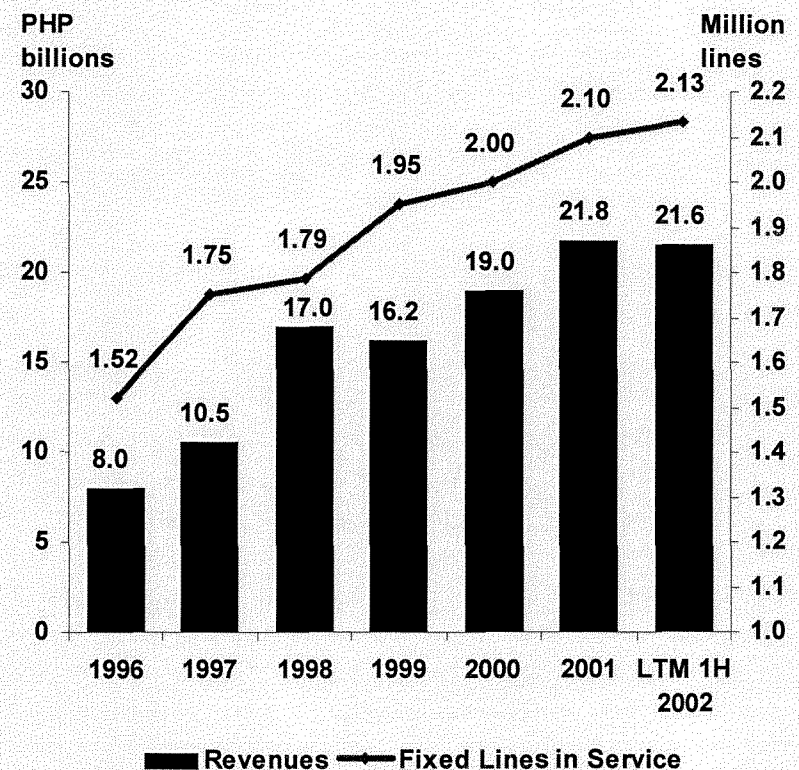


% Margin	56%	58%	49%	57%	61%	59%	60%
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# Local Exchange – Stable and Increasing Base

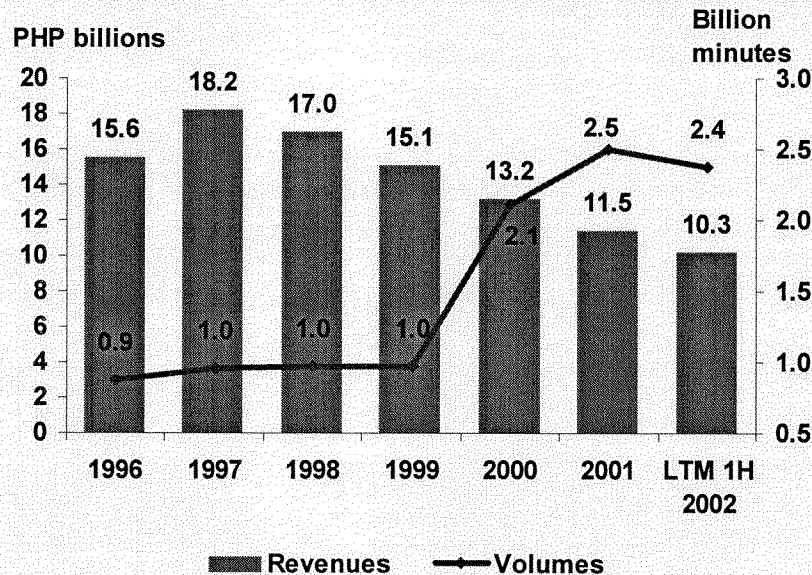
- Contributed 48% of fixed line revenues in the twelve month period ending June 30, 2002, principally from monthly recurring charges
- Subscribers and revenues have grown at an average rate per annum of 6% and 18%, respectively, since 1996
- Monthly charges are automatically adjusted upwards and downwards depending on foreign exchange movements
- Prepaid fixed line service allows greater access to a broader market segment and maximizes utilization of fixed line network
- Ratio of lines in service per PLDT employee improved from 84 in 1996 to 165 as of June 30, 2002

**PLDT Group Local Exchange Revenues and Lines in Service**



# Long Distance – Changing Market Dynamics

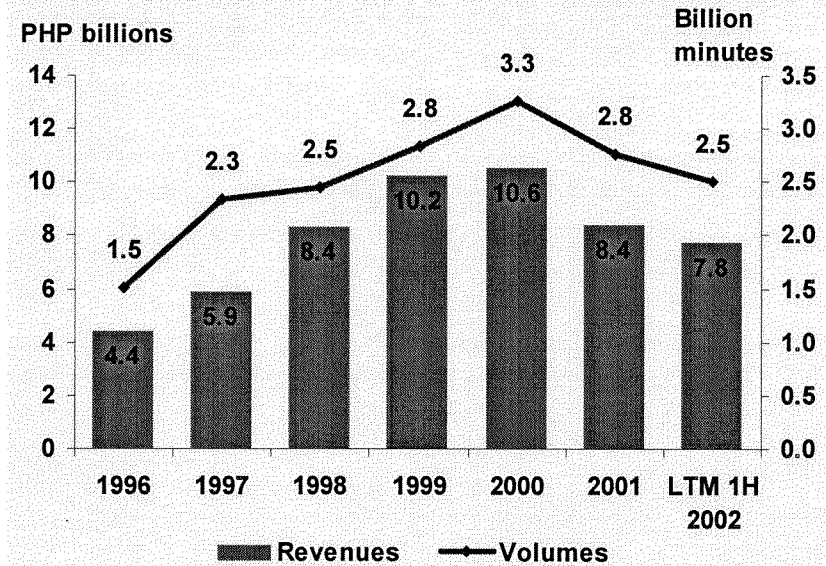
## International Long Distance



\* Does not include Smart & Piltel

- Revenues have declined due to lower IDD and settlement rates despite volume increases
- ILD volume and revenues expected to stabilize moving forward as decline in settlement rates slow down and as PLDT focuses on aggregating traffic terminating on PLDT's network

## National Long Distance

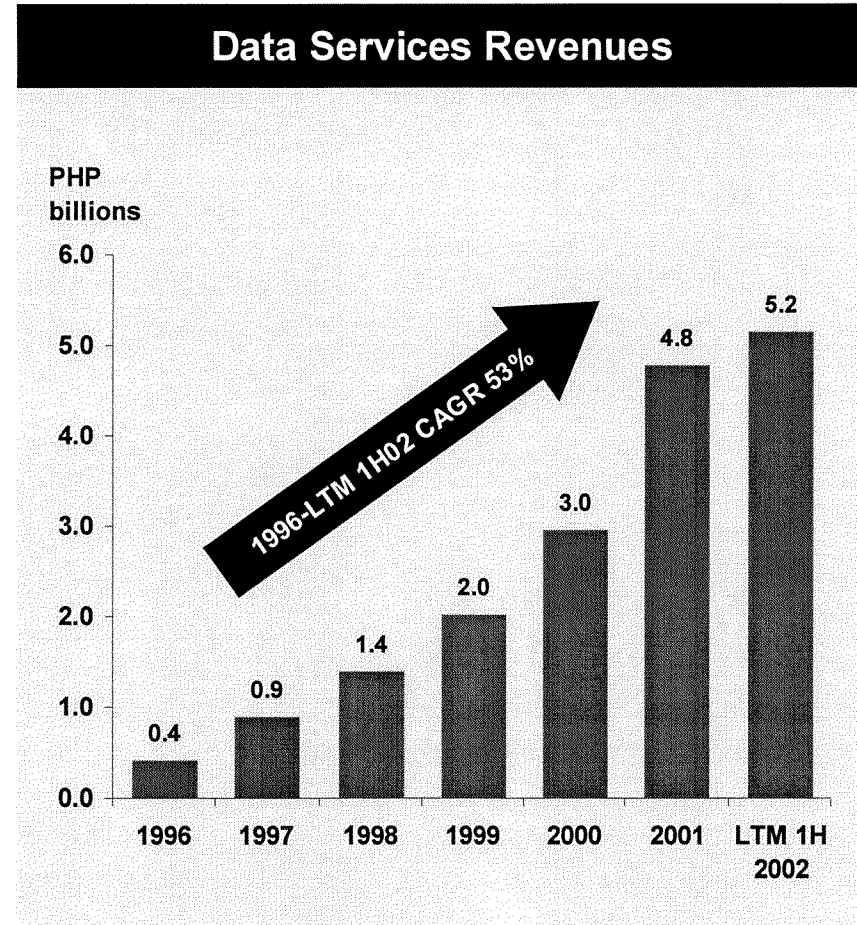


\* Does not include Smart & Piltel

- Revenue decline in 2001 due to
  - Wireless substitution
  - Lower NLD rates put in place in 2001
  - Integration of local exchange areas
- NLD revenues benefit from changes in interconnect arrangements with cellular companies which took effect in July 2001 and January 2002

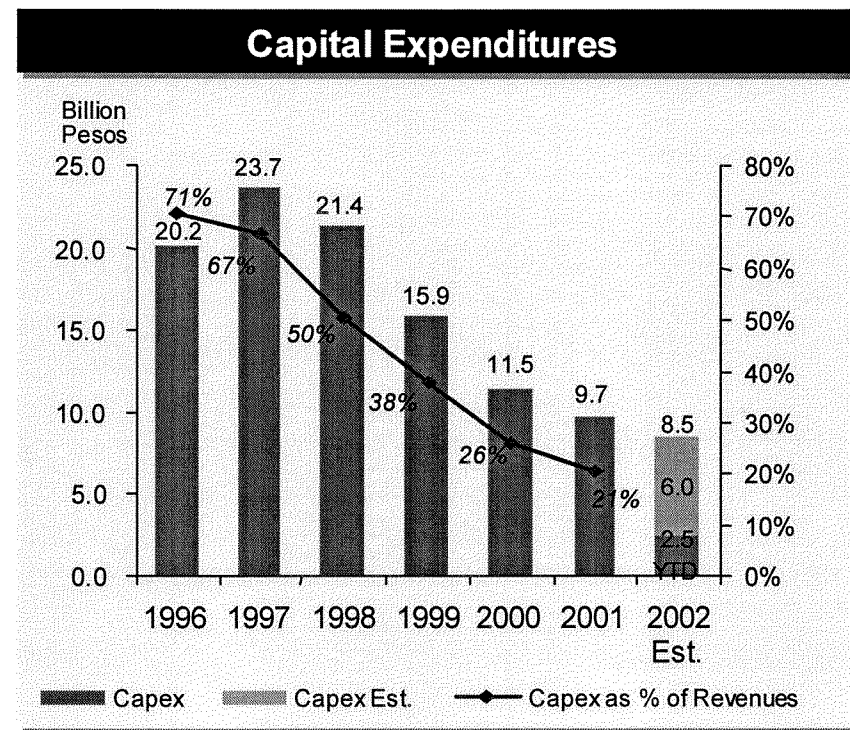
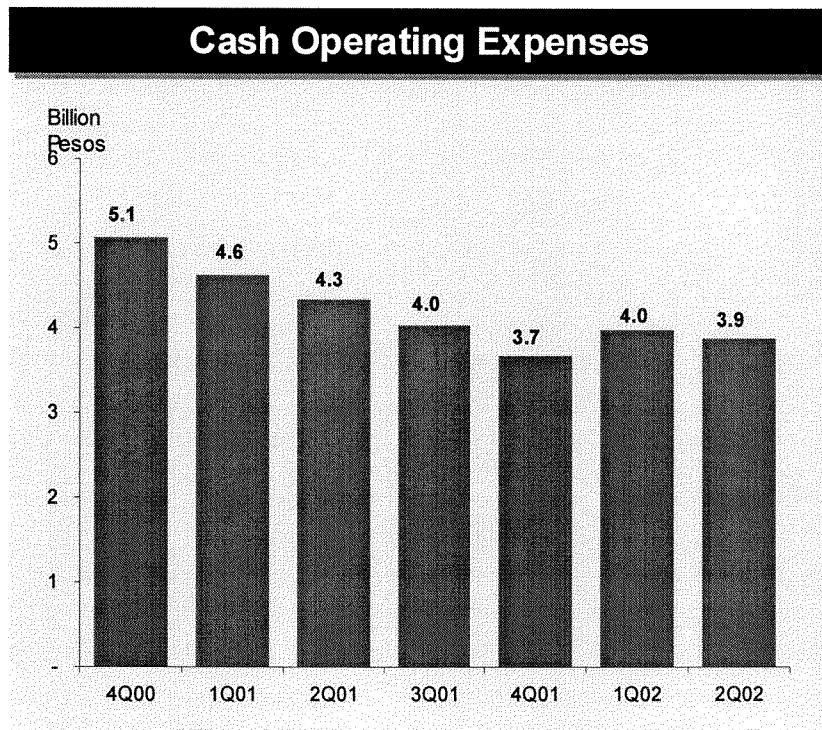
# Data and Network Services – Key Growth Driver

- Data and other network services contributed 11% of fixed line revenues for the twelve month period ended June 30, 2002
- Growth was driven by higher demand for basic leased line services and packet based services such as frame relay, IP-VPN, ATM and DSL by corporate clients
- Domestic data services for corporate clients and consumer data products expected to drive revenue growth as PLDT leverages off its extensive network coverage
- PLDT's DSL and Vibe internet service now has approximately 8,000 and 50,000 subscribers



# Cash Opex and Capex Containment Continues

- Cash expenses have been declining Q-on-Q since 1Q 2001 with further cost savings to be realized as PLDT implements additional cost containment initiatives
- Capital expenditures are expected to continue to decline as PLDT caps its spending on the circuit switched network while expanding data services principally through installation of equipment at the edge of the DFON network
- PLDT's capital expenditure budget for FY2002 is P8.5 billion, of which P2.5 billion has been spent in the first half of 2002



# PLDT's Liability Management Program

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The liability management program revolves around two fundamental objectives:

- **Phase 1** - Improve balance between PLDT's projected cashflows and debt service requirements
  - Raise funds to extend existing maturities
  - Limit overall cost of refinancing
  
- **Phase 2** - Generate cash flow from operations to cover 50% of the debt service requirements from 2002 – 2004 to reduce overall indebtedness and achieve a Debt to EBITDA ratio of less than 4.0x by 2004
  - Grow fixed line revenues by expanding data services and local exchange while stabilizing long distance revenues
  - Contain cash operating expenses
  - Reduce capital expenditures
  - Improve working capital management
  - Cap investments in subsidiaries

# Fund-Raising Initiatives Completed

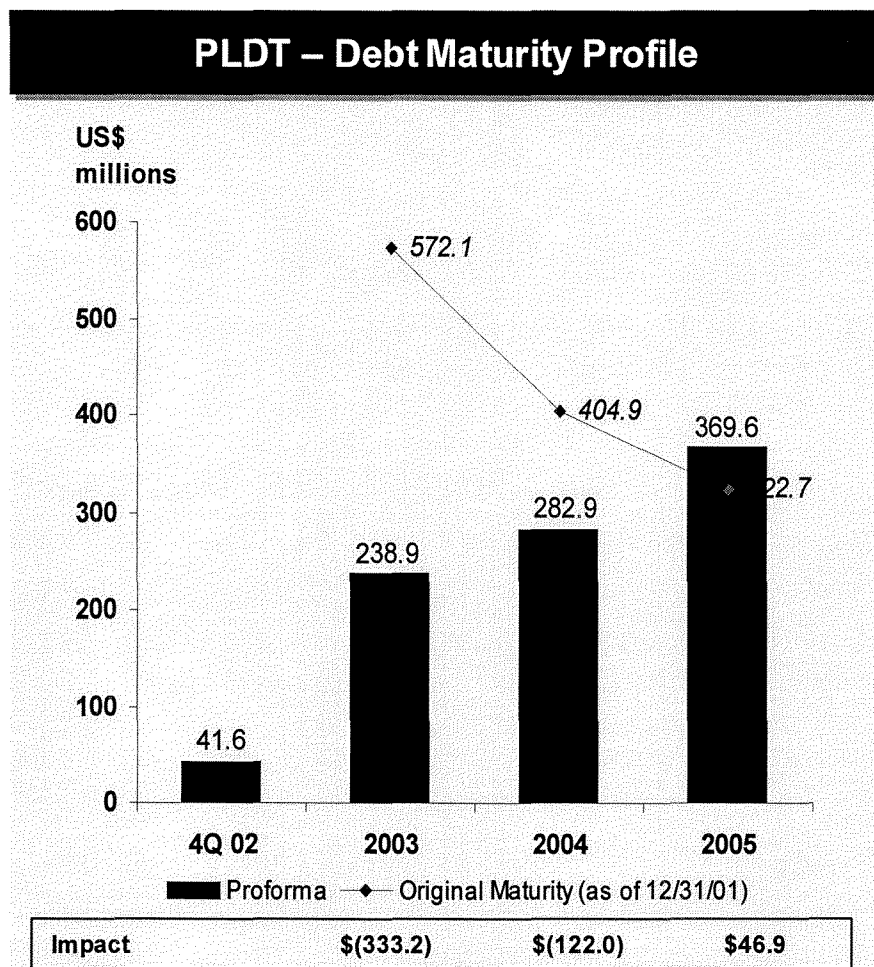
## Refinancing Facilities

- ✓ **US\$149 million KfW facility (January 2002)**
  - Refinances debt maturities owed to KfW from 2002 to 2004
  - Amounts disbursed from 2002 to 2004 and will be repaid in 8 semi-annual installments beginning April 2007 to October 2010
  - As of July 31, 2002, approximately US\$32.9 million has been drawn against the KfW facility
- ✓ **US\$100 million 10.625% Notes due 2007 and US\$250 million 11.375% Notes due 2012 (May 2002)**
  - Proceeds were used to repurchase US\$62.3 million and US\$116.9 million of PLDT's existing 2003 and 2004 notes, respectively and to prepay other short- to medium-term debt of PLDT
- ✓ **US\$145 million Multicurrency Term Loan (September 2002)**
  - Refinance approximately 55% of principal amounts under two existing bank loans due in 2003
  - Approximately 36% of the outstanding amounts under the two bank loans have been prepaid
  - Facility to be disbursed in 2003 and will be repaid in 6 semi-annual installments beginning June 2004

## Other Fund-Raising Initiatives

- ✓ **JPY9.76 billion (approx. US\$83.4 million) JBIC Overseas Investment Loan (July 2002)**
  - Loan agreement signed on July 26, 2002 and drawdown made on July 31, 2002
  - To be repaid in 7 semi-annual installments beginning March 2005 to March 2008
- ✓ **US\$8.8 million facility from Export Development Canada (May 2002)**
  - Finances in part the equipment provided by Nortel for the expansion of PLDT's DFON

# PLDT's Debt Maturity Profile (4Q 2002-2005)



\*Adjusted to reflect US\$350 million Notes issue, corresponding tender and prepayments, drawdowns from US\$149 million KfW facility and US\$145 Multicurrency Term Loan Facility

- Completion of phase one of the liability management exercise improved the debt maturity profile of the Company for period 2002 to 2004
- Debt maturities between 2002 to 2004 have been reduced to levels aligned with PLDT's expected cashflows
- The average life of PLDT's debt portfolio PLDT's increased to 5.25 years from 4.5 years while the average cost of debt increased by approximately 40 bps to approximately 8.1%
- Phase two of the liability management exercise focuses on reducing PLDT's overall indebtedness by approximately US\$650 million through increased cash flows from operations and dividends from Smart

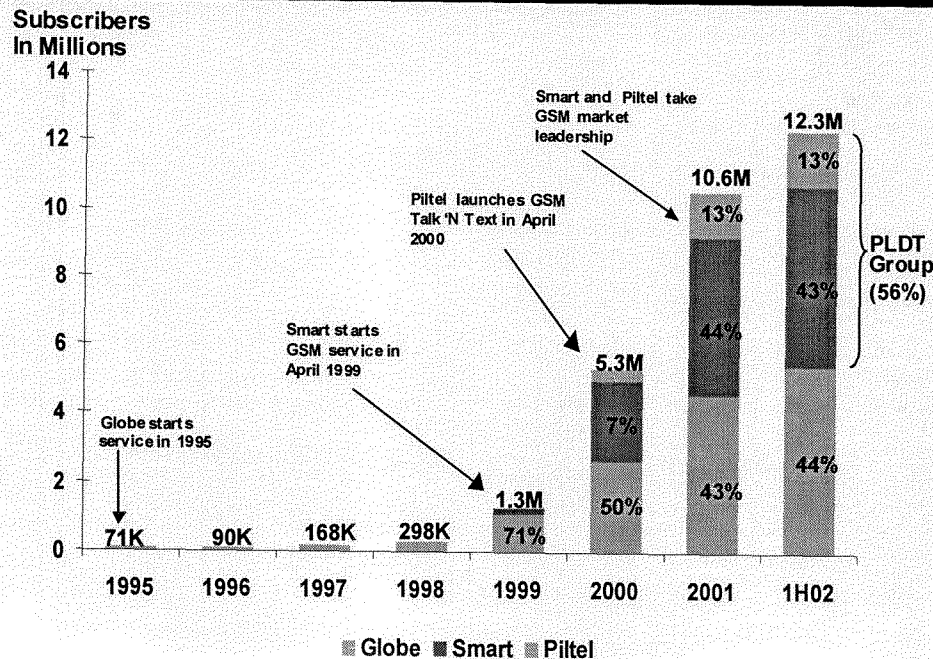


## 3. Cellular

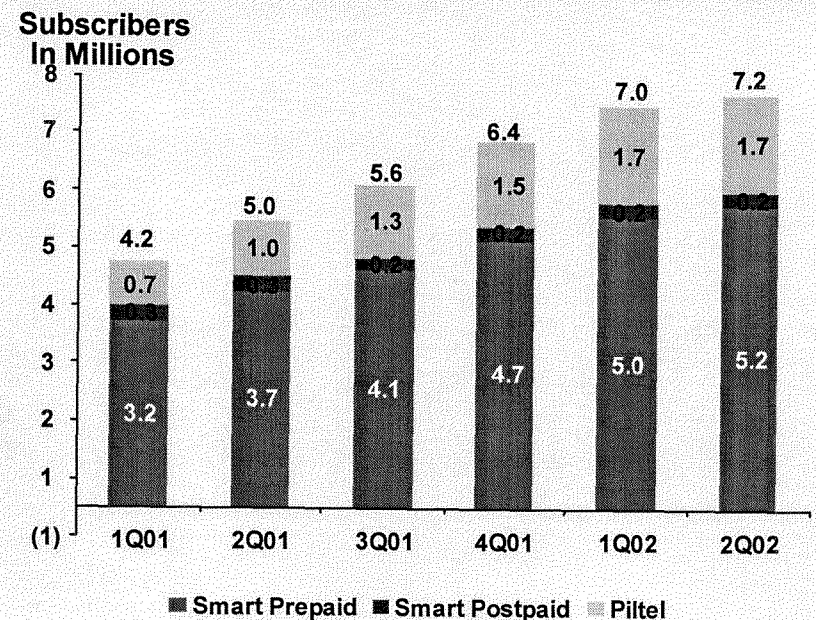
# Smart – Maintaining Market Leadership

- Smart and Piltel had a combined subscriber base of 7.2 million at the end of June 2002 representing a 57% share of total cellular market and a 56% share of the GSM market
- Smart, on a stand-alone basis, is the market leader with 43% share of total cellular and GSM subscribers
- 98% of Smart's 5.3 million GSM subscribers are prepaid
- Smart added 659,240 GSM subscribers or an average of 110,000 net adds per month in the first six months of 2002 compared to an average of 200,000 in the first six months of 2001

## GSM Market Share



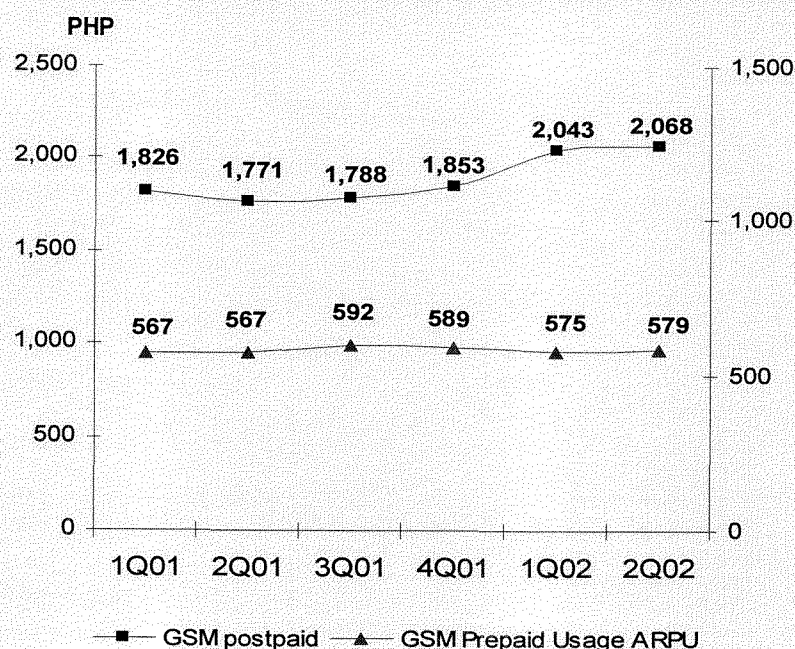
## Smart and Piltel Subscriber Growth



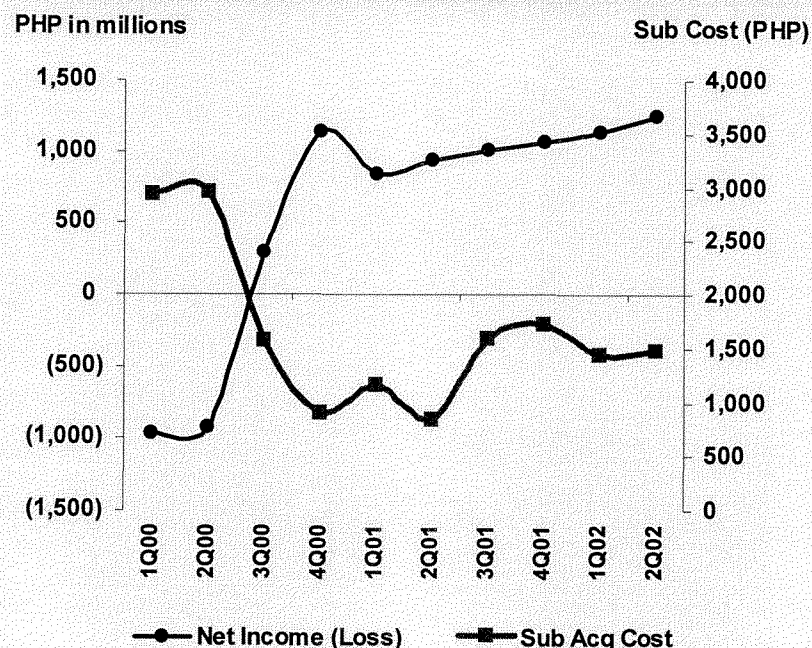
# Stabilizing ARPUs and Reducing Subscriber Acquisition Costs

- Usage ARPU's for prepaid have remained very stable over the past six quarters in spite of signs of anticipated slow down in subscriber take-up
- In August 2002, Smart reduced commissions paid to dealers which is expected to result in lower subscriber acquisition costs moving forward

## Smart Prepaid and Postpaid ARPU



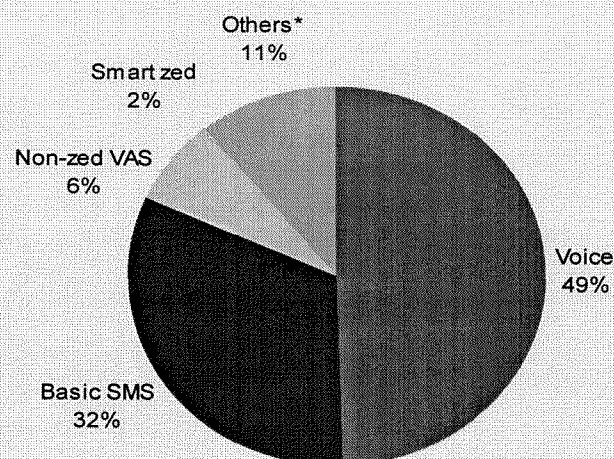
## Smart SAC and Net Income



# Wireless Data – Growing Revenue Source

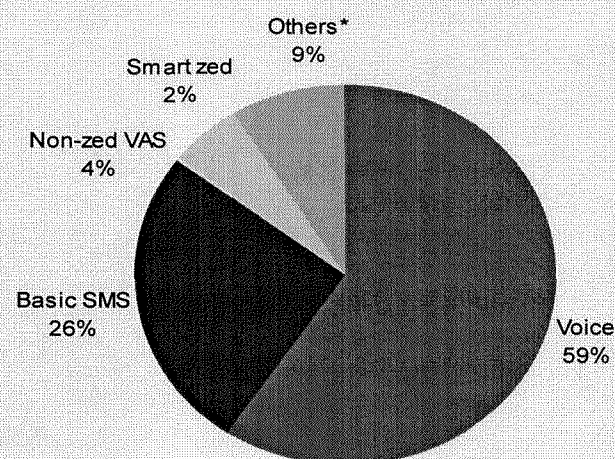
- Smart's total wireless data revenues increased by 88% to P6.3 billion in the first half of 2002 from P3.3 billion the previous year
- In the first half of 2002, Smart handled 7.7 billion outbound messages, an increase of 41% from the 5.4 billion messages handled last year
- Basic SMS remains the largest contributor to wireless data revenues representing 81% in the first half of 2002
- Successful introduction of *Smart zed* and *Smart Money* on SMS platform in December 2000 has enhanced the range and variety of wireless data services

## GSM Revenue Breakdown – 1H 2002



Data : P6.3 billion or 39% of GSM Revenues

## GSM Revenue Breakdown – 1H 2001



Data : P3.3 billion or 31% of GSM Revenues

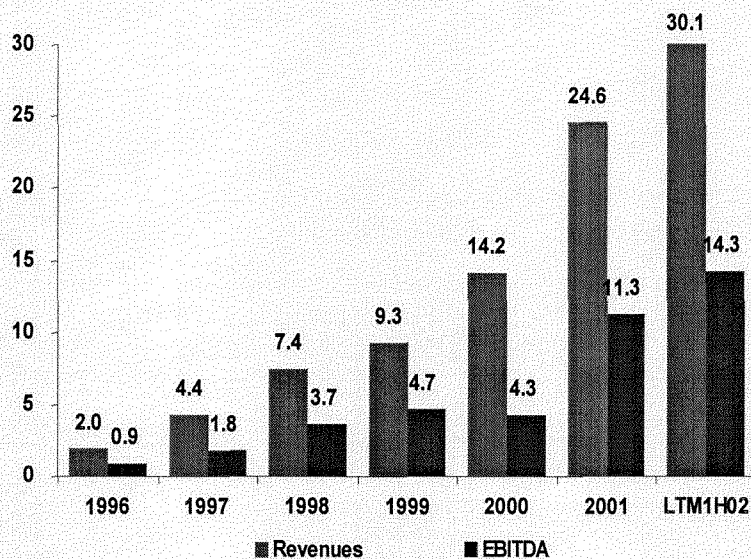
\*refers to other revenues such as TNT revenue share accrued from Pilitel and Smart Money

# Growing Revenues and EBITDA

- Smart's revenue and EBITDA growth are principally attributable to continued subscriber growth, stabilizing ARPUs and reduced subscriber acquisition costs
- Smart is in a position to begin paying dividends equivalent to 40% of its net income in 2001 by fourth quarter 2002

## Smart Revenues and EBITDA

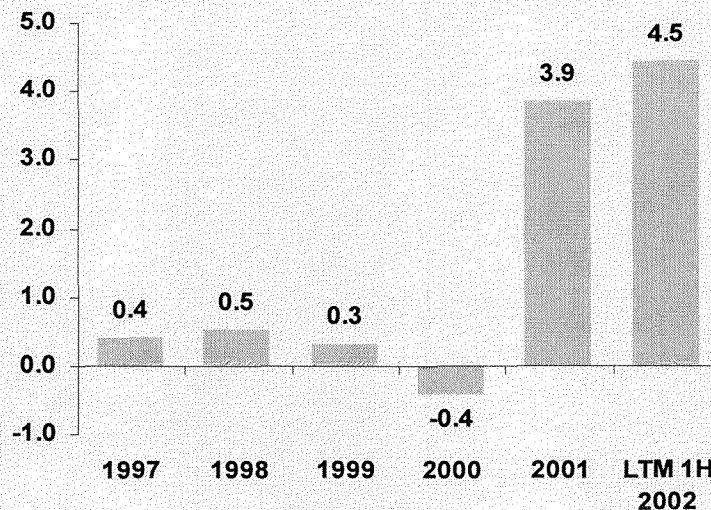
PHP billions



Margin %	44%	42%	50%	51%	30%	46%	48%
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## Smart Net Income

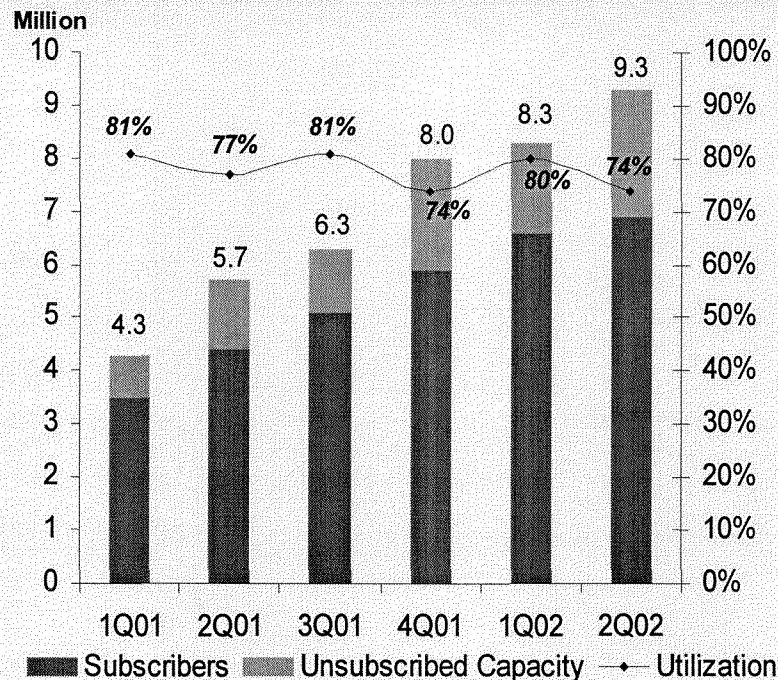
PHP billions



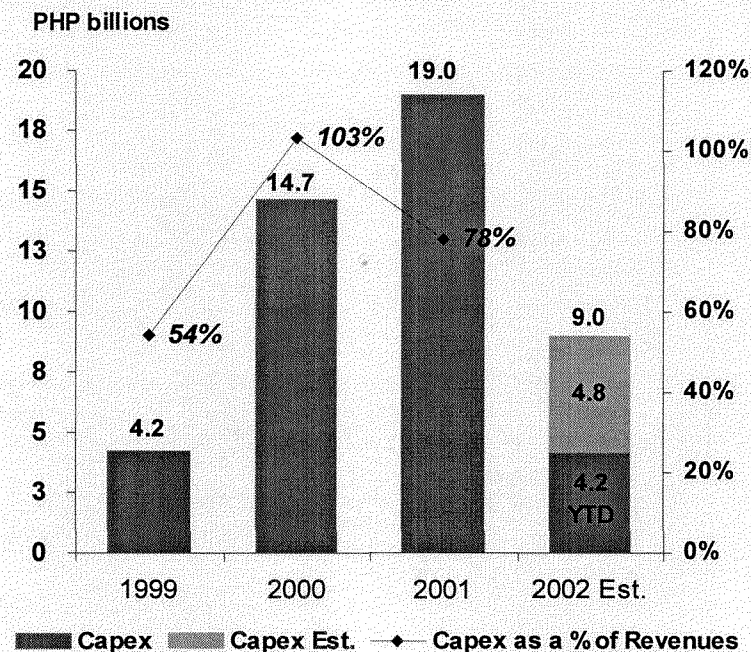
# Smart – Efficient Capital Spending

- Smart's capital expenditures expected to come down from its peak level in 2001 since it has already built sufficient capacity to provide quality service to its subscribers
- Smart's capital expenditures budget for FY2002 has been adjusted downward to P9 billion; capital expenditure as of first half 2002 was at P4.2 billion
- Smart's incremental capital expenditures per subscriber is below US\$100

## Smart Network Utilization



## Smart Capital Expenditures

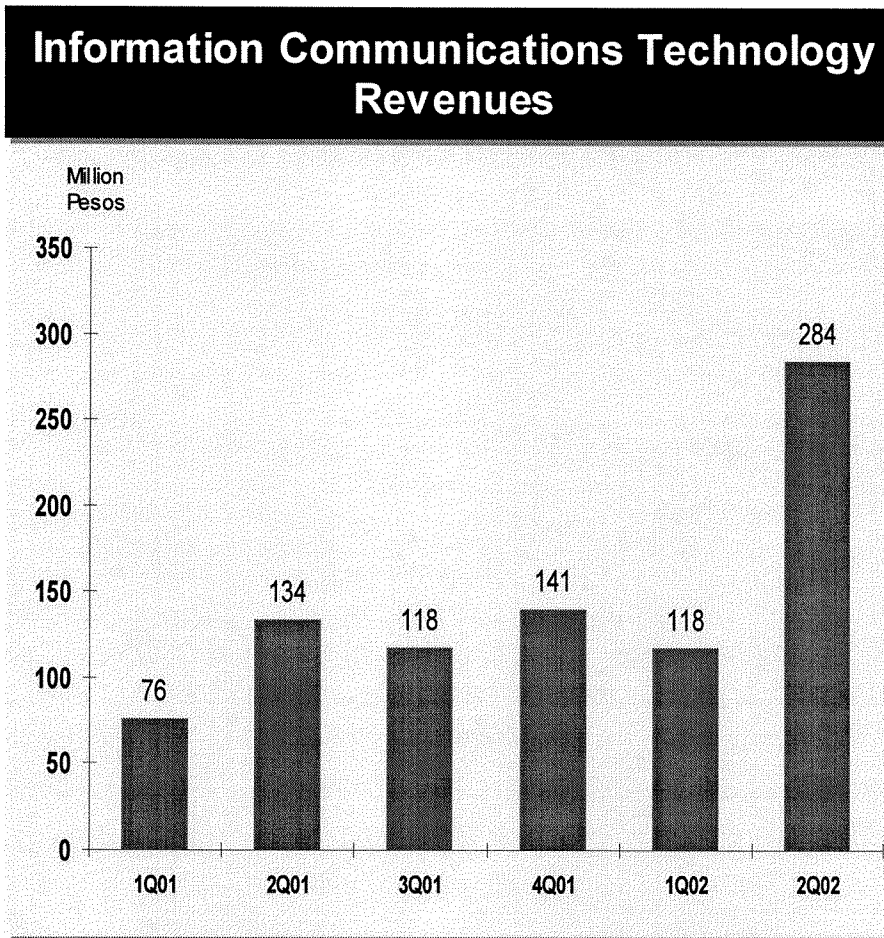






## 4. Information and Communications Technology

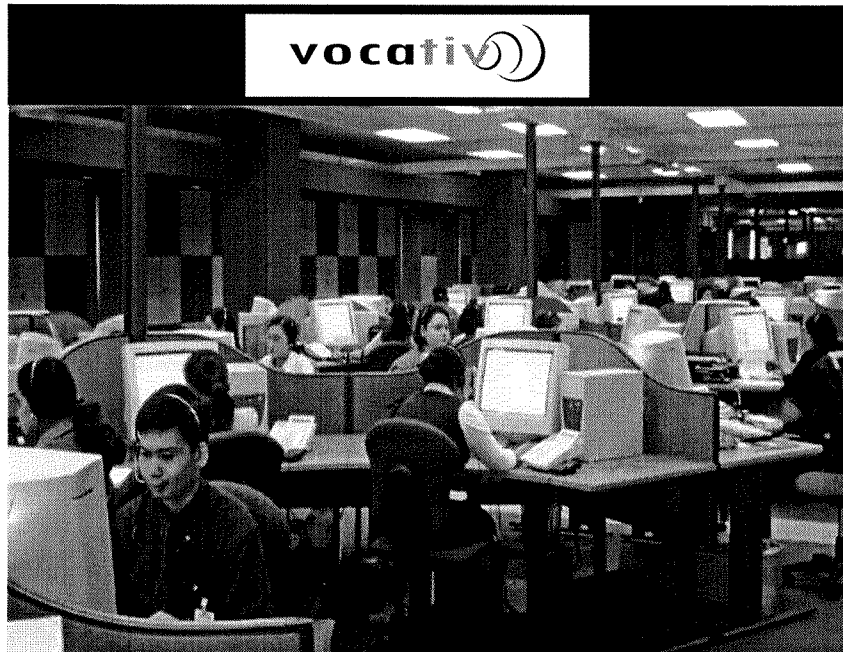
# ePLDT: Enhancing competitive strengths



- Growth in ePLDT's revenues expected to be driven by its call center businesses, Infocom and Vitro Internet Data Center
- Parlance and Vocativ, ePLDT's major call center businesses, began commercial operations in March and April 2002
- Infocom and Vitro Internet Data Center contributed 47% and 46% of the total ICT revenues in the first half of 2002, respectively
- Collaboration of ePLDT and the Corporate Business Group of PLDT in developing new products and services enhances the competitive strength of the PLDT group



# ePLDT: Building Operations

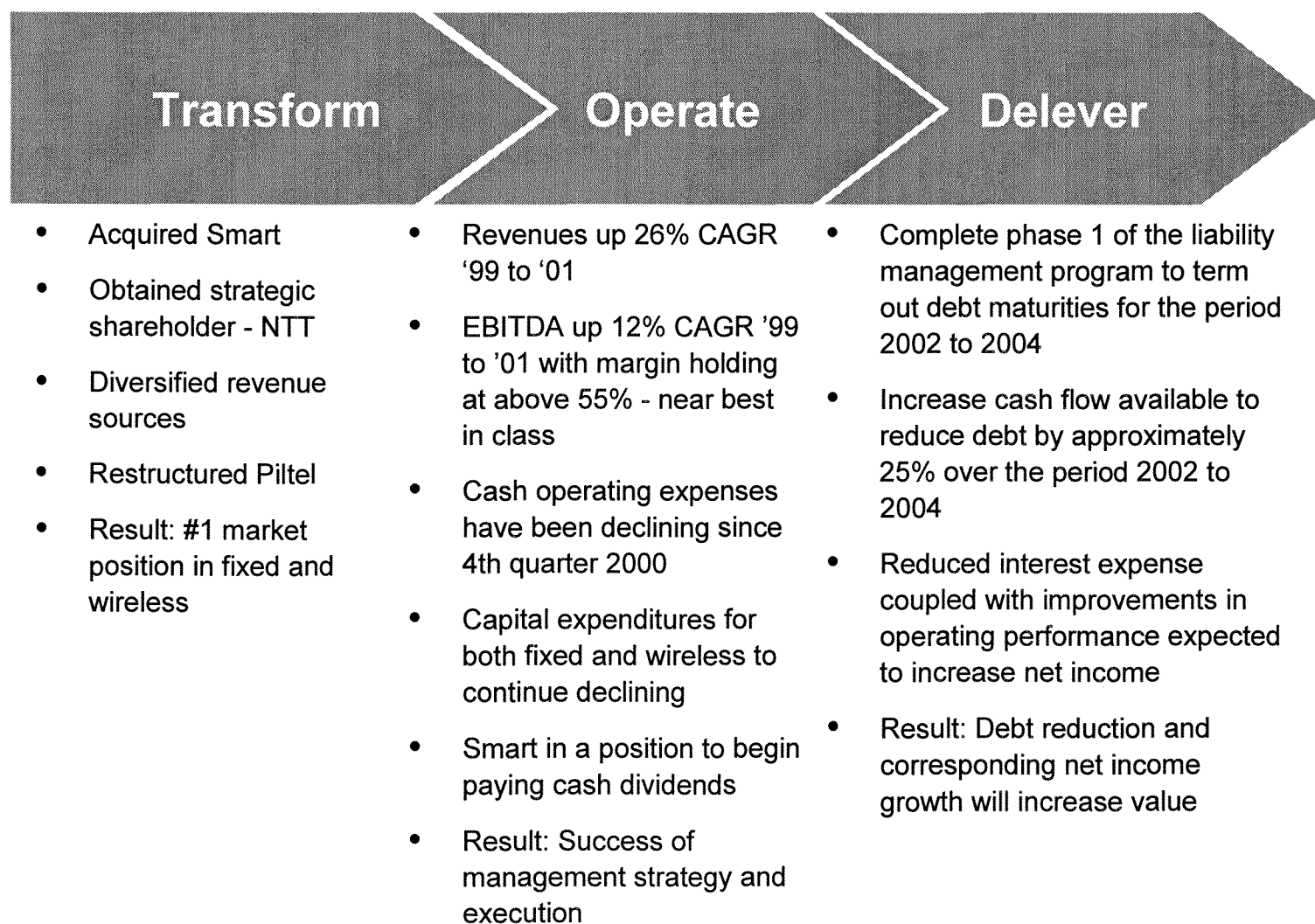


- Parlance and Vocativ call centers began commercial operations in March and April 2002, respectively
- Both call centers are now serving US-based customers and provides customer billing and programming support to the subscribers of its clientele
- Vocativ is already utilizing 230 workstations while Parlance is operating at full capacity utilizing 522 workstations



# Conclusion

# PLDT Roadmap to Increasing Returns

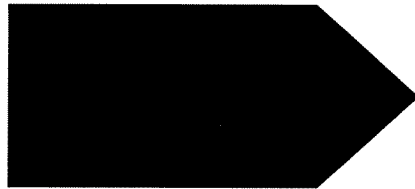


# Management Targets and Priorities (2002 to 2006)

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- Grow fixed line revenues by approximately 3-5% per year
- Reduce and maintain cash operating expenses at approximately P16.0 billion per year
- Focus capital expenditures on projects to support data services and bring down level of capital expenditures to approximately 12-15% of fixed line revenues
- Generate cash flows available for debt reduction, inclusive of dividends received from Smart, to achieve a Debt to Equity ratio of below 1.0x and a Debt to EBITDA ratio of below 4.0x by YE2004



- Continue to grow GSM subscribers while maintaining ARPUs and reducing subscriber acquisition costs
- Maintain the average capital spending for each incremental subscriber at below US\$100
- Begin to pay dividends equivalent to 40% of 2001 net income by 4Q2002 and increase the dividend payout ratio from 2003 onwards



- Explore value maximization options for Smart such as listing and/or spinning off Smart
- Restore payment of dividends to common shareholders upon achieving deleveraging targets

# Key Investment Considerations

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- Incumbent operator, providing telecom services since 1928
- Only nationwide operator in the Philippines



- # 1 in fixed line with over 2.2 million subscribers and 68% market share
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- Completion of liability management exercise removes near-term refinancing risks
- Cash flows generated from operations to be used to reduce overall indebtedness

A horizontal banner with a grayscale background image of office equipment including a telephone, a calculator, and a pen. Overlaid on this image is the text "Appendix: First Half 2002 Financial Results" in a large, bold, black sans-serif font.

# Appendix: First Half 2002 Financial Results

# Earnings Highlights

(In million pesos)

	PLDT Consolidated			PLDT Non-Consolidated		
	1H02	1H01	% Change	1H02	1H01	% Change
Revenues	39,727	36,725	8	22,521	23,795	(5)
Expenses	29,394	28,935	2	15,727	16,445	(4)
Operating income	10,333	7,790	33	6,794	7,350	(8)
Other expenses	6,594	7,095	(7)	4,983	4,797	4
Income before tax	3,739	695	438	1,811	2,553	(29)
Provision for tax	986	1,044	(6)	528	653	(19)
Income before minority	2,753	(349)	(888)	1,283	1,900	(32)
Minority interest (loss)	(2)	(1,723)	(100)	-	-	-
Net income	2,755	1,374	101	1,283	1,900	(32)
EBITDA <sup>(a)</sup>	22,523	19,880	13	13,167	14,342	(8)

# Operating Expenses

(In million pesos)

	PLDT Consolidated			PLDT Non-Consolidated		
	1H02	1H01	% Change	1H02	1H01	% Change
<b>Cash</b>						
Compensation	5,104	4,541	12	3,603	3,648	(1)
Maintenance	2,346	2,262	4	1,575	1,604	(2)
Selling and promotions	4,683	4,670	0	593	911	(35)
Rent	1,209	1,110	9	792	914	(13)
Others	2,883	3,266	(12)	1,299	1,734	(25)
	<u>16,225</u>	<u>15,849</u>	<u>2</u>	<u>7,863</u>	<u>8,811</u>	<u>(11)</u>
<b>Non-Cash</b>						
Depreciation	11,575	11,406	1	6,460	6,246	3
Provision for D/A	1,594	1,680	(5)	1,404	1,388	1
	<u>13,169</u>	<u>13,086</u>	<u>1</u>	<u>7,864</u>	<u>7,634</u>	<u>3</u>
<b>Total Operating expenses</b>	<u>29,394</u>	<u>28,935</u>	<u>2</u>	<u>15,727</u>	<u>16,445</u>	<u>(4)</u>



# Cash Flow Highlights

(In million pesos)

	PLDT Consolidated			PLDT Non-Consolidated		
	1H02	1H01	% Change	1H02	1H01	% Change
Net income before tax	3,741	2,417	55	3,282	2,027	62
Add (Deduct:)						
Non-cash charges	20,956	18,387	14	11,952	13,554	(12)
Changes in working capital	(6,147)	(5,456)	13	(6,242)	(2,933)	113
Net cash from operations	18,550	15,347	21	8,993	12,649	(29)
Less: Capital expenditures	7,442	11,603	(36)	2,505	3,269	(23)
Free cash flow	11,107	3,745	197	6,488	9,379	(31)
Investments	(195)	(515)	(62)	(186)	(3,660)	(95)
	10,913	3,229	238	6,302	5,720	10
Net financing - Equity	(489)	(940)	(48)	(489)	(940)	(48)
- Debt	2,705	1,103	145	4,122	(4,891)	(184)
Interest paid - net	(6,189)	(6,873)	(10)	(4,853)	(4,792)	1
Net cash from financing activities	(3,973)	(6,710)	(41)	(1,221)	(10,623)	(89)
Change in cash	6,940	(3,481)	(299)	5,082	(4,904)	(204)
Cash balance, beginning	4,123	9,674	(57)	2,336	7,781	(70)
Cash balance, end	11,063	6,194	79	7,418	2,877	158

# Balance Sheet Highlights

(In million pesos)

	PLDT Consolidated		PLDT Non-Consolidated	
	Jun-02	Dec-01	Jun-02	Dec-01
Total Assets	<u>304,902</u>	<u>307,622</u>	<u>266,276</u>	<u>264,513</u>
Short-term Debt	4,025	6,462	954	1,962
Long-term Debt	<u>174,189</u>	<u>168,879</u>	<u>144,005</u>	<u>141,515</u>
Total Debt	<u>178,214</u>	<u>175,341</u>	<u>144,959</u>	<u>143,477</u>
Net Debt	<u>167,151</u>	<u>171,218</u>	<u>137,541</u>	<u>141,141</u>
Equity	<u>90,842</u>	<u>88,628</u>	<u>90,842</u>	<u>88,628</u>
Debt/Equity	<u>1.96x</u>	<u>1.98x</u>	<u>1.60x</u>	<u>1.62x</u>
Net Debt/Equity	<u>1.84x</u>	<u>1.93x</u>	<u>1.51x</u>	<u>1.59x</u>
Net Debt/EBITDA <sup>(a)</sup>	<u>4.01x</u>	<u>4.39x</u>	<u>5.32x</u>	<u>5.22x</u>
EBITDA/Interest expense, net	<u>3.12x</u>	<u>2.67x</u>	<u>2.35x</u>	<u>2.50x</u>

# Smart – Financial Highlights

	1H02	1H01	% Change
<b>Earnings Highlights</b>			
Operating revenues	16,277	10,609	53
Operating expenses	<u>12,804</u>	<u>8,305</u>	<u>54</u>
Net operating income	3,473	2,304	51
Other expenses, net	<u>672</u>	<u>180</u>	<u>274</u>
Income before tax	2,801	2,124	32
Provision for tax	<u>422</u>	<u>355</u>	<u>19</u>
Income before minority	2,380	1,769	35
Minority interest (loss)	<u>-</u>	<u>5</u>	<u>(100)</u>
Net income	<u>2,380</u>	<u>1,774</u>	<u>34</u>
 EBITDA <sup>(a)</sup>	 <u>8,221</u>	 <u>5,240</u>	 <u>57</u>
EBITDA Margin	<u>50.5%</u>	<u>49.4%</u>	
 <b>Cash Flow Highlights</b>			
Cash from operations	8,131	2,919	179
Capital expenditures	(4,164)	(7,073)	(41)
Net financing	(2,660)	5,492	(148)
Cash balance, end	2,509	2,154	17

# Smart – Balance Sheet Highlights

	Jun-02	Dec-01
<b>Total Assets</b>	<b><u>63,537</u></b>	<b><u>63,483</u></b>
<b>Short-term debt</b>	<b>3,061</b>	<b>4,500</b>
<b>Long-term debt</b>	<b><u>24,512</u></b>	<b><u>21,702</u></b>
<b>Total Debt</b>	<b><u>27,573</u></b>	<b><u>26,202</u></b>
<b>Net Debt</b>	<b><u>25,064</u></b>	<b><u>24,932</u></b>
<b>Equity</b>	<b><u>30,183</u></b>	<b><u>27,803</u></b>
<b>Debt/Equity</b>	<b><u>0.91x</u></b>	<b><u>0.94x</u></b>
<b>Net Debt/Equity</b>	<b><u>0.83x</u></b>	<b><u>0.90x</u></b>
<b>Net Debt/EBITDA<sup>(a)</sup></b>	<b><u>1.75x</u></b>	<b><u>2.20x</u></b>

Note:

- (a) EBITDA is defined as income before minority interest in net losses of consolidated subsidiaries, adding back interest expense and related items, taxes, depreciation and amortization and is presented because it is generally accepted as providing useful information regarding company's ability to service and/or incur debt. EBITDA should not be considered in isolation or as a substitute for operating income, net income, cash flows from operating activities and other income or cash flow statement data prepared in accordance with generally accepted accounting principles, or a measure of profitability or liquidity.